

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF FARMERS RURAL ELECTRIC)	
COOPERATIVE CORPORATION FOR AN ORDER)	
ISSUING A CERTIFICATE OF CONVENIENCE AND)	CASE NO.
NECESSITY AND AUTHORITY TO BORROW A SUM)	96-450
OF \$8,091,000 FROM RUS AND \$3,468,000 FROM)	
NRUCFC)	

O R D E R

On September 13, 1996, Farmers Rural Electric Cooperative Corporation ("Farmers") applied for authority to issue notes in the amount of \$3,468,000 to the National Rural Utilities Cooperative Finance Corporation ("CFC"). Farmers intends to use the proceeds of these notes to finance the projects contained in its 1996-2000 Work Plan, which the Commission has previously approved.¹ CFC approved a loan in the amount of \$1,952,000 on November 10, 1997.

The proposed issuance of notes is part of a larger effort to finance Farmers' 1996-2000 Work Plan projects. In addition to funding from the CFC, Farmers has applied for \$8,091,000 in loans from the Rural Utilities Service ("RUS"). Of the \$8,091,000 in requested loans, Farmers is being reimbursed \$1,568,086 for the 1993-1995 Work Plan. On November 25, 1997, RUS approved an initial loan of \$4,554,000 to Farmers to finance

¹ See Case No. 96-450, Farmers RECC (Ky. PSC Dec. 16, 1996) (approving 1996-2000 Work Plan which involved the construction of improvements and additions to plant totalling \$9,980,722).

the projects. RUS has only approved the first two years of the Work Plan and will review the remainder of the Work Plan at the end of the two years.

The Commission, after consideration of the evidence of record and being advised, finds that:

1. The loan from CFC in the amount of \$1,952,000 is for lawful objects within the corporate purposes of Farmers, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonable, necessary and appropriate for such purposes.

2. Farmers is capable of executing its notes as security for the loan as stated herein.

3. Farmers should select the interest rate program which will result in the net lowest cost of money to it over the term of the financing.

4. Within 10 days of its selection of the interest rate program, Farmers should notify the Commission in writing of the interest rate program selected and of the reasons for its selection.

5. The proceeds from the proposed loans should be used only for the lawful purposes set out in Farmers' application.

6. Farmers should include in its monthly financial report to the Commission the current interest rate on its outstanding variable rate loans.

7. As the issuance of securities or evidences of indebtedness subject to the control of a federal governmental agency does not require Commission approval, KRS 278.300(10), and as the RUS is an agency of the federal government, no action on Farmers' proposed loan from the RUS is required.

IT IS THEREFORE ORDERED that:

1. Farmers is authorized to borrow \$1,952,000 from CFC for a 35-year period and bearing either a fixed or variable rate, as chosen by Farmers at the time the first monies are drawn from CFC, subject to the provisions and terms of the application with respect to renegotiation of the interest rate.

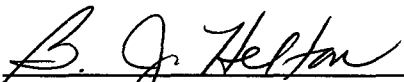
2. Farmers is authorized to execute its notes as security for the loan authorized herein.

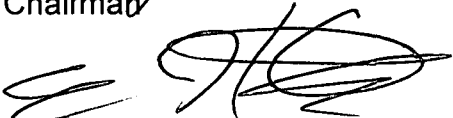
3. Farmers shall comply with all matters set out in Findings 3 through 6 as if they were individually so ordered.

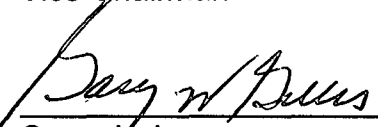
Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 25th day of February, 1998.

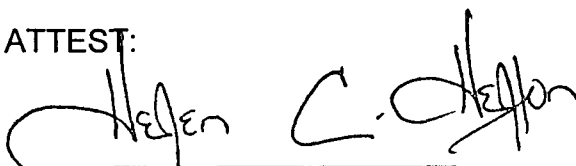
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director